

COMMUNIST ECONOMIC OFFENSIVE SOVIET FOREIGN AID—MEANS AND EFFECTS

BRANKO M. PEŠELJ*

I

HISTORICAL BACKGROUND

It is reported that Lenin once said: "The road to Paris and London leads through Bombay and Calcutta."¹ This statement clearly indicates the importance which Marxism-Leninism has attached from the very beginning to the political and socio-economic problems of the former colonial and less developed countries in the world.

In exposing the doctrine of the historical inevitability of socialism, Lenin believed that the underdeveloped and colonial countries of the world, in given conditions and with the support of Socialist states, will be able to bypass the capitalist stage of the historical economic development and launch directly upon the building of socialism.²

However, in the early stage of the Bolshevik regime, as a practical foreign policy towards the underdeveloped areas, Leninism envisaged that the colonial and semi-colonial states would attain their "ultimate and complete freedom" in two stages: (1) the national and political liberation of the country from its colonial status; and (2) the political and socioeconomic liberation of the country from its domestic exploiters.³

For the realization of the first stage, Lenin and later Stalin advocated collaboration of indigenous communist movements with nationalist and bourgeois elements—provided, however, that the forces and the organization of the local communists were kept as separate political entities and that they remained all times independent in their political decisions.⁴ Once the first stage of the liberation is achieved, Leninism

* LL.B. 1931, J.S.D. 1932, University of Zagreb (Yugoslavia); Ph.D. 1950, Georgetown University; M.Comp.L. 1954, George Washington University. Adjunct Professor of Law, Georgetown University Law Center. Member of the bars of the District of Columbia and the Supreme Court of the United States. Author, *INDUSTRIALIZATION OF PEASANT EUROPE* (1954). Contributor to the *Encyclopedia Americana* and to legal and economic periodicals in the United States, Europe, and South America.

¹ A. Z. RUBINSTEIN (Ed.), *THE FOREIGN POLICY OF THE SOVIET UNION* 341 (1960) [hereinafter cited as RUBINSTEIN].

² Herman, *The Political Goals of Soviet Foreign Aid*, in *DIMENSIONS OF SOVIET ECONOMIC POWER* 478 (1962) [hereinafter cited as Herman].

³ These two stages are expounded in Lenin's theory of imperialism, Stalin's views on the solution of national and colonial questions, and the Program of the Communist International of 1928. Cf. RUBINSTEIN 341-72. This policy is applied also today, openly by the Chinese communists, especially in Africa, and more subtly by the Soviets in the formerly colonial areas of the world. Cf. Cooley, *China's Push in Africa*, 79 *COMMONWEAL* 424 (1964); also Paasche, *Sowjetische Konzeptionen fuer Unabhaengigewordene Entwicklungslaender* [*Soviet Views Concerning the Newly Created Underdeveloped Independent States*], 14 *OSTEUROPA* 409 (1964).

⁴ Lenin's and Stalin's theses on the position and strategy of the communist forces in colonial states and underdeveloped areas are explained in several of their works, articles, and speeches. See XENIA JOUKOFF EUDIN & ROBERT C. NORTH, *SOVIET RUSSIA AND THE EAST, 1920-1927*, at 45-71 (1957).

teaches, the local Communist Party, supported by the international proletarian movement, must wage the battle for the attainment of the second stage, the establishment of the Socialist state.⁵ Thus, in pursuing its eventual goal in colonial countries and underdeveloped areas, Leninism has always recognized the necessity of temporary compromises with the nationalist and bourgeois forces if, in final analysis, such compromise furthered the accomplishment of the ultimate aim, the World Socialist revolution.⁶

Although the ideas of Lenin and Stalin concerning Bolshevik policy and tactics towards colonial and semi-colonial states in the early period of the Soviet regime were primarily of a political nature, Lenin pointed out as early as 1920 that on the path to their ultimate political and economic freedom these countries "must maintain also a close economic alliance with the Soviet Republic."⁷

Naturally, in the early 1920s the Soviet Union was not strong enough to undertake any sizable economic steps which would support its political and ideological offensive beyond its borders.⁸ The Soviets' primary concern was to consolidate their internal political stability and to build up their own independent economy. The latter was accomplished with the great help of the Western Powers, notably by the private economic concerns of the United States, during the period of the New Economic Policy.⁹ At the same time the Soviet Union began to penetrate into the sphere of international economic relations by concluding its first trade agreement with the United Kingdom on March 16, 1921.¹⁰

Subsequently, in the period between the two world wars, the Soviets have signed a large number of international trade agreements, but only a few of these could be regarded as treaties offering foreign aid in form of credits or direct grants. The latter

⁵ This doctrine, in its essence, has not been changed until today in spite of the more flexible tactics adopted by the Soviet government. See Editorial, *Marksishtichko-leninskaiia teoriia revoliutsii i sovremenoe istoricheskoe razvitiie* [Marx-Lenin Theory of Revolution and the Contemporary Historical Development], 5 VOPROSY FILOSOFII 3 (1958); also, JOHN M. MACINTOSH, STRATEGY AND TACTICS OF SOVIET FOREIGN POLICY 51-58 (1963).

⁶ A typical example of the communist and other leftist collaboration with the bourgeois-nationalist elements in the two stages of national liberation and social revolution is offered in Algeria. In the first stage—the struggle for the national and political liberation of the country—the communists co-operated fully with the bourgeois-nationalist strata of the population and their leaders. In the second stage—the building up of a socialist Algeria—the moderate and nationalist elements have been completely eliminated and, where necessary, suppressed. The second example, more familiar to American observers, is Cuba. Cf. ROGER HILSMAN, THE SINO-SOVIET ECONOMIC OFFENSIVE THROUGH JUNE 30, 1962, at 6-7 (1962) [hereinafter cited as HILSMAN].

⁷ RUBINSTEIN 359.

⁸ At one moment during the Civil War, the Soviet economy was nearing total collapse. Only ten per cent of Russia's former coal supply, less than twenty-five per cent of iron foundries, and less than one half of the grain-producing areas were under the control of the Soviet government. Cf. MAURICE DOBB, SOVIET ECONOMIC DEVELOPMENT SINCE 1917, at 98 (1948).

⁹ *Id.* at 125-207; also, WERNER KELLER, OST MINUS WEST = NULL, DER AUFBAU RUSSLANDS DURCH DEN WESTEN, 226-277 (1960).

¹⁰ JAN F. TRISKA & ROBERT M. SLUSSER, THE THEORY, LAW AND POLICY OF SOVIET TREATIES 294-95 (1962). It is of interest to note that this treaty, though commercial in character, contained also purely political clauses, such as the prohibition of hostile activity and propaganda on the territory of the other party, non-interference in domestic matters, and so on.

was true especially in the Middle East to which the Soviet economic penetration was directed in the late twenties and early thirties. Thus, as a predecessor of the present Soviet foreign aid, the Soviet-Turkish Treaty of May 8, 1932 should be mentioned.¹¹ According to this treaty, the Soviet Union gave a credit to Turkey in the amount of eight million dollars for the purchase of industrial and agricultural machinery. In addition, the Soviet Union made a present to Turkey consisting of ten tractors, five tanks, two trucks, and one bus. The credit loan was made without interest and was repayable over a period of twenty years in Turkish produce. The eight million credit was later used by Turkey for the purchase of textile machinery from the Soviet Union.¹²

In World War II, the Soviet economy suffered severe blows, but its recovery was rather swift and efficient.¹³ The emergence of a number of Socialist states in Eastern Europe and in Asia between 1945 and 1948 demanded from the Soviet régime for the first time a close economic cooperation with these countries in assisting their political and economic consolidation. Thus a series of agreements offering credits and technical assistance, or cancelling debts of individual Socialist countries, was concluded between the Soviet Union and the newly created socialist states in the period from 1945 to 1953, totalling transactions in the amount of approximately 2.5 billion dollars, which amount increased to 6.5 billion dollars by the end of 1962.¹⁴

In the same period, certain colonial countries in Asia, notably Burma, Ceylon, India, and Indonesia became independent states. However, their independence was not the result of political or revolutionary action of the local communist forces but the consequence of the changed political conditions in those parts of the world. As a rule, it was the outcome of peaceful compromises reached between the former colonial powers and the nationalist movements. For this reason, the early Soviet attitude towards the newly established régimes in South-East Asia was not favorable. Stalin, following rigidly the established Leninist doctrine of liberation of colonial states, considered these régimes as puppet governments controlled by their former colonial masters, and was therefore unwilling to support them politically or assist them economically.¹⁵

In 1949, when the United Nations debated the mode and the volume of the economic aid to be given to the underdeveloped areas of the world, the Soviet Union at first reacted favorably and advocated that such assistance be given through the United Nations.¹⁶ Later, the Soviets changed their mind and refused to contribute anything for this purpose because Stalin was, in principle, still opposed to economic

¹¹ VIOLET CONOLLY, *SOVIET ECONOMIC POLICY IN THE EAST* 49 (1933).

¹² *Id.* at 49-50.

¹³ DOBB, *op. cit. supra* note 8 at 290-312.

¹⁴ CARNETT & CRAWFORD, *The Scope and Distribution of Soviet Economic Aid*, in *DIMENSIONS OF SOVIET ECONOMIC POWER*, *op. cit. supra* note 2, at 474 [hereinafter cited as CARNETT & CRAWFORD]; see also JOSEPH S. BERLINER, *SOVIET ECONOMIC AID* 52-53 (1958) [hereinafter cited as BERLINER].

¹⁵ RUBINSTEIN 389-94; see also BERLINER 13-14.

¹⁶ BERLINER 15.

aid to any country which was not communist dominated, or in which, in his opinion, the conditions were not ripe for a communist take-over.¹⁷

One of the factors which contributed to the eventual change of the Soviet view was the communist seizure of power in China. The Chinese communists adopted from the very beginning of their rule a more flexible approach to the problems of foreign economic aid and cooperation with the neighboring Asiatic countries. Yet, the official Soviet attitude could not be changed until after Stalin's death.¹⁸

Stalin died in March 1953; and the disposition of his successors towards the policy and problems of foreign aid to non-socialist countries became immediately much more flexible and pragmatic. As early as August 1953, the first foreign aid agreement was concluded between the Soviet Union and Argentina, by which the former gave credit of 30 million dollars for the purchase of oil drilling equipment.¹⁹ This agreement was followed by substantial credit allowances of Afghanistan in 1954, and then to India and Burma in 1955.²⁰ The formal turning point in the policy of the Soviet economic offensive was marked by the speech of Chairman Khrushchev, delivered at the 20th Congress of the Communist Party of the Soviet Union on February 14, 1956. Discussing the new aspect of the Soviet foreign economic policy towards the former colonial countries and underdeveloped areas of the world in general, Khrushchev said:

These countries, although they do not belong to the socialist world system, can draw on its achievements to build up an independent national economy and to raise living standards of their people. Today, they need not go begging for modern equipment to their former oppressors. They can get it in the socialist countries without assuming any political or military commitments.²¹

Khrushchev elaborated further the objectives of the Soviet economic offensive in his speech of January 27, 1959, in which he said:

Our country builds its relations with all states on principles of complete equality and collaboration without any conditions of military or political nature. Of course, we are not engaged in charity. Soviet Union gives aid on fair commercial principles. Socialist countries help the undeveloped nations to create their own industry, while the United States seeks to sell to them consumer goods which have no sale on other markets.²²

II

MOTIVES AND OBJECTIVES

Soviet authors and statesmen describe their motives and objectives in providing economic aid to underdeveloped countries as most noble and unselfish. Socialist economic assistance, they assert, facilitates the advance of these nations on the road

¹⁷ RUBINSTEIN 393-94.

¹⁸ HILSMAN 2-4; BERLINER 14. For Stalin's ideas on the structure of the socialist economy and its goals, see JOSEPH STALIN, *LES PROBLÈMES ÉCONOMIQUES DU SOCIALISME EN U.S.S.R.* (Moscow, 1952).

¹⁹ BERLINER 198.

²⁰ *Id.* at 198-99.

²¹ RUBINSTEIN 395.

²² *Id.* at 401-02.

to progress. "We were taught this by the great Lenin," says Mikoyan, and adds, "This is an example of proletarian internationalism in action under modern conditions."²³

The truth, we submit, is different, and the Soviet motives and objectives are not so benevolent as official Soviet statements suggest.²⁴

It should be borne in mind, in the first place, that the foreign economic policy of every Socialist country controlled by the communists is an integral part of foreign relations in a broader sense.²⁵ It is therefore rigidly controlled by the respective communist governments, and adapted to the needs and objectives of communist world strategy. As Khrushchev said bluntly on one occasion: "We value trade least for economic reasons and most for political reasons."²⁶ Consequently, any foreign aid which the Soviet Union or other Socialist states are extending to former colonial and underdeveloped nations is devised to be one of the instruments through which the final goal of Marxism-Leninism—the world revolution—is to be achieved.²⁷

The immediate objectives of the communist economic offensive are, of course, more limited. They are designed

- (a) to neutralize the recipient country politically and economically;
- (b) to achieve a gradual pro-Soviet or pro-Chinese inclination of the recipient;
- (c) to increase the political and economic prestige of the socialist camp among the underdeveloped nations;
- (d) to infiltrate the countries which receive foreign aid politically, economically and culturally;
- (e) to bolster the global military posture of the communist orbit (in cases where military assistance is offered to individual underdeveloped states).²⁸

In the countries which are already dominated by the communist régimes, which is the case in Albania, Yugoslavia or Cuba, the principal purpose of foreign aid is the political strengthening and economic consolidation of that régime.²⁹

Political and economic neutralization of an underdeveloped country is of special importance where the recipient has had in the past a close and long relationship with

²³ Pravda, Moscow, Oct. 22, 1961, p. 1. At the 22nd Congress of the Communist Party of the Soviet Union (CPSU), in October 1961, Anastas Mikoyan pointed out that the world-wide economic offensive of the Soviet Union and other socialist states is an example of the just methods of maintaining economic ties on the basis of equality and of the noble intentions of facilitating the advance of these peoples on the road to progress. Pravda, Moscow, Oct. 22, 1961, p. 1; see also Fedorenko, *The Soviet Union and African Countries*, The Annals, July 1964, pp. 1-8.

²⁴ The true motives of the Soviets in offering economic and military aid to underdeveloped nations are questioned not only by the free world but also by Communist China. The latter has openly warned the former colonial countries and less developed nations that they will be eventually subject to Soviet domination if they accept aid from Moscow. N.Y. Times, June 22, 1954, p. 1, col. 6.

²⁵ BERLINER 8; Fieri, *Foreign Trade*, in INFORMATION U.S.S.R. 359 (1962). Harmstone, *Foreign Trade and Aid*, in ENCYCLOPEDIA OF RUSSIA AND THE SOVIET UNION 177-82 (1961).

²⁶ RUBINSTEIN 383.

²⁷ Herman 477-79; see also BERLINER 21-26.

²⁸ Carnett & Crawford 461-462; BERLINER 17-29.

²⁹ RUBINSTEIN 375 ff.

the West. This pattern is demonstrated by the Soviet economic offensive in India, Ceylon, and Burma, in the countries of the Middle East, and also in the African states that were formerly part of the British or French colonial empires.³⁰ Political neutralization—which is also promoted by Yugoslavia in her economic policy towards the so-called non-aligned nations³¹—is aimed at the destruction or weakening of the existing defense agreements or military alliances which these countries may have with the Western powers.

The political and economic prestige of the socialist camp is expected to be increased by stressing the friendly character of the economic help extended by the Soviet Union or other socialist donor—assertedly given as a part of the policy of peaceful coexistence, without any conditions of a political or military nature.³² At the same time, accusations are levelled at the capitalist countries, in particular at the United States, which, the communists say, offer foreign help for their selfish purposes and whose aid is but another form of economic colonial exploitation.³³

Political, cultural, and economic infiltration is achieved by sending to the recipient country, pursuant to the aid agreement or mutual cooperation agreement, a large number of technical experts, military advisers, and cultural workers. These individuals, in most cases, in addition to their professional skills and backgrounds, are also politically trained to extoll the successes of the Soviet Union and of other socialist countries, and are instructed to publicize the advantages of socialism.³⁴

III

FORMS AND CONDITIONS

Soviet bloc foreign aid is given by bilateral international agreements between the donor and the recipient, and is expressed in four different forms:

- (a) by the opening of credit or giving loan in a specified amount for a project or group of projects;
- (b) by a straight grant for a designated purpose;
- (c) by military assistance supplying the recipient with arms and ammunition;
- (d) by a mutual cooperation agreement.³⁵

The most common form of economic aid is extension of credit. This form of aid is preferred by the Soviet Union and other Socialist countries, except China, for two

³⁰ MACINTOSH, *op. cit. supra* note 5, at 135-40.

³¹ Cf. PRESIDENT TITO'S MEETINGS WITH STATESMEN OF ASIAN AND AFRICAN COUNTRIES 30-44 (Belgrade, 1961); see also KENNETH R. WHITING, *THE SOVIET UNION TODAY* 334-40 (1962).

³² Carnett & Crawford 465.

³³ Khrushchev, in his speech of Jan. 27, 1959, as reported in RUBINSTEIN 395.

³⁴ BERLINER 26-29; A. Rankovic, the Yugoslav Vice-President, commented on the position of these technical experts and cultural workers with the following words: "They are ambassadors of our development and of our concepts, and of our desire to help friends whose difficulties we can easily understand as our own difficulties were similar." *THE ATTITUDE OF THE LEAGUE OF COMMUNISTS OF YUGOSLAVIA TO CURRENT INTERNATIONAL PROBLEMS* 69 (Belgrade, 1963).

³⁵ HILSMAN 12-16; Carnett & Crawford 462-65; *Sino-Soviet Bloc Economic Assistance to Less Developed Countries*, State Department Memorandum, February 1963, pp. 3-6 (Unpublished) [hereinafter cited as *Memorandum*].

principal reasons. First, credit extension gives the impression of a fair commercial deal to which no political or military conditions are attached. Secondly, credit agreements, the execution of which is extended over a longer period of time, serve at the same time as a control of and as a brake on the recipient country.³⁶

The credit is given, as a rule, for a specific project or a number of projects to be undertaken in the recipient country, and can be drawn upon during a number of years, depending upon the anticipated length of construction, usually up to seven years. The projects for which the credits are extended vary, but industrialization and mining account for almost seventy per cent of all the credit arrangements.³⁷ This trend is fully in line with Lenin's theory that the creation of an industrial proletariat is necessary for the strengthening of revolutionary forces in the country predestined to play the decisive role in the anticipated socialist revolution.³⁸ Credits are also given for amelioration works in agriculture. These constitute about twelve per cent of the total credits extended. The rest, about thirteen per cent, is given for transport facilities, road building, and other minor projects.³⁹

Credits are never given to private entrepreneurs or corporations, but always to the public sector of national economy of the recipient state. Thus, the eventual nationalization of the economic system as a whole is being facilitated.⁴⁰

Every credit agreement is usually divided into two parts: the general conditions under which the credit is extended (*i.e.*, its amount, interest, and repayment), and the mode of its utilization. The latter stipulates specific conditions, such as the contribution to be given by the recipient for the realization of the project, the terms of utilization of the credit (which are usually subject to the completion of the individual stages of the project), arrangements for the exchange of a number of individuals from the recipient country who will be trained for the work on the project, and so on.⁴¹ The second part of the credit extension agreement covers also the number of the expert technicians to be supplied by the creditor, as well as their salaries and conditions of employment.

It is believed that by the end of 1962, about twenty-seven per cent of all economic credits extended by the socialist countries have actually been utilized. In military assistance, the utilization has been much larger and amounts to eighty-five per cent.⁴²

The money value of new economic credits has been temporarily in decline from 1961 to 1963. In 1960, the extended economic credits reached their peak at 1.176 billion dollars. In 1962, they have declined for more than fifty per cent, to 519 million dollars. The utilization of the credits extended was largest in 1962, when it amounted to 395

³⁶ HILSMAN 12-13; Carnett & Crawford 462.

³⁷ Herman 481.

³⁸ BERLINER 25; EUDIN & NORTH, *op. cit. supra* note 4, at 68-70.

³⁹ HILSMAN 12; Herman 481.

⁴⁰ Herman 482.

⁴¹ HILSMAN 11; Carnett & Crawford 464.

⁴² HILSMAN 12; *Memorandum* 7. It appears that the utilization of the new and previously extended credits was the highest in 1963, though the exact figures have not been disclosed so far.

million dollars.⁴³ However, since the beginning of 1963, the foreign economic aid of the Soviet Union and all other communist controlled states has again been on the increase. One of the reasons for this trend is the rivalry for prestige and leadership between the Soviet Union and Communist China in Asia and in Africa. Within the last year, since the Fall of 1963, the Soviet Union alone has extended over 800 million dollars in new credits to various underdeveloped states.⁴⁴

The extension of credit for a specific project is regularly contingent upon the contributions to be made by the recipient to the common venture. These contributions usually comprise the supply of the local building material and non-qualified labor.

The interest rate on credit, is usually 2-2.5 per cent,⁴⁵ though the Chinese have given large credits, as for instance to Burma in 1961 in the amount of 84 million dollars, without any interest.⁴⁶ Interest rates of the satellite countries are often higher, and amount to four or five per cent.⁴⁷ Yugoslavia's interest rate is usually three per cent.

Approximately seventy-five per cent of all the credits granted by the Soviet Bloc are to be repaid in twelve annual installments beginning with the year after the project is completed. In some instances, the period of repayment is much longer and may be extended over fifty years with deferred payments up to twenty-five years. A small portion of the credits granted by the Satellites (twelve per cent) is shorter in duration and repayable within a period of five to nine years after the completion of the project.⁴⁸

Repayment is stipulated either in gold or in hard currency (United States dollars or British pounds sterling), or by the export of raw materials and goods from the recipient country to the creditor at the regular world prices prevailing at the time when the installments are due.⁴⁹ It is for this reason that Soviet economists sometimes tend to interpret regular commercial agreements which provide for the exchange of machinery and technical equipment with raw materials and foodstuffs also as foreign economic aid.⁵⁰

Direct grants are given mainly by China, and have totalled approximately 120 million dollars. They were granted to Cambodia, Ceylon, Nepal, Egypt, Yemen, Guinea, and Zanzibar.⁵¹ The Soviet Union occasionally also gives direct grants for

⁴³ *Memorandum* 1.

⁴⁴ The principal recipients were in Africa and in the Middle East, Egypt, Algeria, Kenya, Somalia, and Zanzibar, and in Asia, India, Afghanistan and Iran. Cf. N.Y. Times, June 21, 1964, p. 5, col. 1. China's new credits within the last year amounted to approximately 150 million dollars.

⁴⁵ HILSMAN 13; Carnett & Crawford 463.

⁴⁶ Very recently, Red China has extended interest free loans to Zanzibar (14 million dollars), to Somalia (20 million), and to Pakistan (60 million). Cf. The Washington Post, June 9, 1964, pp. A 11, B 27; N.Y. Times, Aug. 1, 1964, p. 1, col. 4.

⁴⁷ HILSMAN 13; *Memorandum* 6.

⁴⁸ HILSMAN 13-14; Carnett & Crawford 463.

⁴⁹ *Memorandum* 6.

⁵⁰ BERLINER 5.

⁵¹ *Memorandum* 6; N.Y. Times, June 21, 1964, p. 13, col. 1.

specific purposes; for instance, 80 million dollars to Afghanistan in 1959, and also minor grants to other countries in Asia, notably to Nepal, Burma, and Indonesia.⁵²

The total value of military assistance offered by the Soviet-Sino Bloc until the middle of 1962 was over 2.5 billion dollars.⁵³ Since then, this type of foreign aid has increased considerably, especially to Cuba and to some other countries in Asia and in Africa, such as Indonesia, Somalia, Ghana, Algeria, and Zanzibar.⁵⁴ In giving military assistance, the political and strategic motives of the donor have been of primary consideration, and no requirements have been made that the arms delivered must be used for defense purposes only.⁵⁵ The deliveries of the military material include all types of arms and ammunition, such as small arms, artillery, tanks, aircraft, submarines and other small boats, and in some instances even rockets.⁵⁶

The main recipients of the Sino-Soviet Bloc military aid were, in Asia, Indonesia and Afghanistan; in the Middle East, Syria, Iraq and Egypt; and in Africa, Somalia, Guinea, Mali, Ghana, Algeria and Zanzibar. Yugoslavia has also offered military assistance to a number of underdeveloped countries, notably to Indonesia and Algeria.

A special form of foreign aid, which is usually but not necessarily contingent upon the utilization of a credit, is technical assistance. This type of aid is sometimes stipulated in the mutual cooperation agreements concluded between individual socialist states and underdeveloped countries.⁵⁷ Technical and cultural assistance is extended in two ways: either the donor assumes the obligation to provide a number of technical experts or cultural workers to supervise the anticipated project and to train and educate local personnel, or the recipient sends to the donor's country a number of individuals for training and education. Of course, both alternatives can be carried out simultaneously.

It is believed that approximately 13,500 economic and technical experts and cultural workers from various Socialist countries are currently working in 30 underdeveloped countries on four continents.⁵⁸ In addition, about 8,500 military technicians are employed as instructors in the countries which receive military aid from the Soviet Union and other Socialist states. The greatest number of "military instructors" are presently in Cuba (over 6,000); and the rest are employed in the Middle East (about 1,300), and 1,200 in Africa and Asia.⁵⁹

⁵² HILSMAN 24-28; Carnett & Crawford 467-69.

⁵³ HILSMAN 14-15.

⁵⁴ The Evening Star, Washington, D.C., Feb. 3, 1964, p. A 5; The Washington Daily News, Feb. 4, 1964, p. 7; The Washington Post, June 9, 1964, p. B 27; N.Y. Times, May 7, 1964, pp. 1 and 6.

⁵⁵ HILSMAN 15; BERLINER 48-50.

⁵⁶ N.Y. Times, Feb. 15, 1964, p. 2, col. 6.

⁵⁷ HILSMAN 15-16; Carnett & Crawford 464-65.

⁵⁸ Memorandum 3.

⁵⁹ *Id.* at 3. The total number of the so-called military technicians of the Sino-Soviet Bloc in various underdeveloped countries has never been officially revealed. Of course, the concept and definition of a "military technician or instructor" varies and often it is impossible to distinguish between the genuine military technicians and the combat ready military units.

IV

VOLUME AND BENEFICIARIES

The total economic foreign aid of all socialist states to underdeveloped nations, from 1954 until the middle of 1964, has been approximately 6.6 billion dollars. To this amount 2.5 billion dollars in military assistance should be added. Hence, the total amount of all foreign aid, economic and military, extended in that period, amounted to 9.1 billion dollars.⁶⁰ The distribution of economic aid by individual Socialist countries is as follows: the Soviet Union, 4.4 billion; European Satellites, 1.2 billion; China, 700 million; and Yugoslavia, 300 million.

In the period from 1954 to 1960, when the amount of foreign economic aid was on a permanent increase, the aid was given at an average rate of 700 million dollars yearly. Since 1960, the amount of the economic aid offered by the European Satellites has also been increasing; and in 1962 these countries contributed almost as much in new credits as the Soviet Union.⁶¹ There is no distinguishable pattern of the division of geographical areas, or of types of projects, of credit extensions by the Soviet Union and the Satellites. However, the steadily increasing larger participation of the European Socialist countries, outside the Soviet Union, indicates their capability of independent economic action in the communist economic offensive.⁶²

Areas, individual underdeveloped countries, and amounts of foreign aid extended by the Socialist states are shown in the following table:

TABLE 1⁶³

SINO-SOVIET BLOC ECONOMIC CREDITS AND GRANTS EXTENDED TO LESS DEVELOPED COUNTRIES
January 1, 1954-July 31, 1964
(Million U.S. dollars)

<i>Area and Country</i>	<i>Total Economic Credits and Grants</i>	
		Total
<i>Asia</i>		<i>2.722</i>
Afghanistan.....	574	
Burma.....	97	
Cambodia.....	65	
Ceylon.....	69	
India.....	1.182	
Indonesia.....	638	
Nepal.....	54	
Pakistan.....	93	
<i>Middle East</i>		<i>1.495</i>
Cyprus.....	1	
Iran.....	46	
Iraq.....	218	
Syria.....	193	
Turkey.....	17	
Egypt.....	996	
Yemen.....	24	

⁶⁰ These figures are approximate only and have been determined according to the data published so far. The increased amounts of military assistance by the communist orbit since July 1962, which are known but were not published, are not included in these figures.

⁶¹ *Memorandum* 3.

⁶² *Ibid.*

⁶³ This table has been compiled on the basis of table 4 of the *Memorandum*, at p. 8, and has been

TABLE 1 Cont.

<i>Area and Country</i>	<i>Total Economic Credits and Grants</i>	
<i>Africa</i>		<i>1.028</i>
Algeria.....	236	
Ethiopia.....	114	
Ghana.....	246	
Guinea.....	125	
Mali.....	98	
Morocco.....	17	
Somalia.....	98	
Sudan.....	23	
Tunisia.....	46	
Zanzibar.....	25	
<i>Latin America</i>		<i>849</i>
Argentina.....	104	
Bolivia.....	2	
Brazil.....	74	
Cuba.....	669	
<i>Europe</i>		<i>156</i>
Iceland.....	5	
Yugoslavia.....	151	
Yugoslavia to underdeveloped countries (see Table 2).....		<i>300</i>
	Grand Total	6.600

There is no indication of geographical preference of individual Socialist countries in the extension of credits, except that China has demonstrated specific interest for South East Asia, Albania, and more recently also for Africa.⁶⁴ The credit agreements of the Soviet Union and the satellite states, as well as their military assistance, are spread over four continents, and it is clear that the industrially more advanced Satellites, *i.e.*, Eastern Germany, Czechoslovakia, and Poland, participate in economic aid with a larger share than the others.⁶⁵ Albania is the sole Socialist country which has received only foreign economic and military aid, while Yugoslavia, on the other hand, is the only Socialist state which receives foreign aid and also extends it on its own account to underdeveloped nations.

Scrutinizing the geographic areas to which economic aid is extended, and individual countries, we see that in Asia the most important recipient is India, with

supplemented by the recent available data published in the daily press until Aug. 1, 1964. All figures are approximate. The aid of China to Albania, in the amount of 124 million dollars, is not shown in this table.

⁶⁴ Since the rivalry for leadership between the Soviet Union and Red China has been intensified, the Chinese Communists have directed their efforts of political and economic penetration, in particular, to Africa. On this continent, they hope to achieve great successes by giving grants and offering interest-free loans to newly created states. There is no doubt that the Chinese are skillfully using their racial advantages, pointing out that the Western Powers, as well as the Soviet Union and the European Socialist states, are all dominated by the white man who, as an image, still represents to a great number of Africans the symbol of colonialism and political and economic oppression. Cf. Harry Schwartz, "Chou Bid in Africa," N.Y. Times, Feb. 7, 1964, p. 6, col. 1; also Washington Post, Jan. 11, 1964, p. 1 and A 9; also Fitzgerald, *The Sino-Soviet Balance Sheet in the Underdeveloped Areas*, The Annals, Jan. 1964, pp. 40-49.

⁶⁵ Carnett & Crawford 467-73; *Memorandum* 8-25.

well over one billion dollars in granted credits offered mostly by the Soviet Union.⁶⁶ In assistance to India Czechoslovakia participates with fifty million, Poland with thirty-two million, and Yugoslavia with forty million dollars.⁶⁷ In credit arrangements offered to Indonesia, in addition to the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary, Yugoslavia and China also participate.⁶⁸

In Burma, Cambodia, Nepal and Laos, the main creditor is China, while in Ceylon, China and the Soviet Union participate almost with equal shares.⁶⁹

In Egypt, the principal creditor is the Soviet Union with 813 million dollars, but the amounts of the credits extended by the European Satellites are also considerable. Czechoslovakia has given credits loans to Egypt in total sum of 101 million dollars; East Germany, thirty-six million; Poland, twenty million; and Hungary, twenty-three million.⁷⁰

Syria has received economic aid from all Soviet Bloc countries, including Bulgaria. This is the case also in Ghana and Guinea where the total Satellite credits amount to eighty million dollars.⁷¹

In Cuba, at the end of 1962, the distribution of the credits extended by the Sino-Soviet Bloc was as follows: the Soviet Union, 312 million dollars, Satellites ninety-seven million, and China sixty million.⁷²

The People's Republic of China is at the present moment the only Socialist country which has given credits to Albania.⁷³ Chinese credits to that country amount to 112 million rubles (125 million dollars), and were given by an agreement of February 2, 1961. There are approximately 800 Chinese technicians working in Albania on various industrial projects and military installations. The Chinese-Albanian agreement also established a joint Albanian-Chinese Shipping Company.⁷⁴ Recently, China has concentrated her political and economic efforts on penetrating the new independent states of Africa and enlarging her economic and political influence among her neighbors in Asia.⁷⁵

⁶⁶ The larger part of the credits extended to India by the Soviet Union was used for the construction of the Bhilai Steel Mill. The new Soviet credits granted in 1964 will be used for the erection of the Bokaro Steel Mill, now under construction. N.Y. Times, June 21, 1964, p. 5, col. 1.

⁶⁷ Memorandum 9; Dorothea Kiefer, *Jugoslawien* [Yugoslavia], in *SÜDOSTEUROPA UND DIE ENTWICKLUNGSLÄNDER* [SOUTHEAST EUROPE AND THE UNDERDEVELOPED COUNTRIES] 29 (Südost-Institut München 1963) [hereinafter cited as *SÜDOSTEUROPA*].

⁶⁸ Memorandum 10; *SÜDOSTEUROPA* 31.

⁶⁹ Memorandum 10.

⁷⁰ Memorandum 11; *SÜDOSTEUROPA* 81-84.

⁷¹ Memorandum 11; *SÜDOSTEUROPA* 87-88, 115-116, 133.

⁷² Memorandum 21. The credits to Cuba from the Sino-Soviet Bloc, in the last 18 months, have increased for approximately 150 million dollars, military assistance not included.

⁷³ From 1945 to 1959, Albania had also received substantial credits from the Soviet Union and other Socialist countries, including Yugoslavia until 1950. All these credits amounted to 630 million dollars. Carnett & Crawford 474.

⁷⁴ COMMUNIST CHINA YEARBOOK, 1962, at 505 (Hong-Kong, 1963).

⁷⁵ On July 31, 1964, the government of Pakistan announced that China has granted to it a long term interest free loan of sixty million dollars to be used for the purchase of machinery, cement, and sugar mills. N.Y. Times, Aug. 1, 1964, p. 1, col. 4. In Africa, China has recently granted substantial interest free loans, or given direct grants to Ghana, Somalia, Algeria, and Zanzibar. The Evening Star, (Washington, D.C.), Feb. 3, 1964, p. A 5, col. 6; The Washington Post, June 9, 1964, p. A 11 and B. 27.

V

YUGOSLAVIA'S PARTICIPATION IN FOREIGN AID

The position of Yugoslavia in the extension of foreign aid to underdeveloped countries should be examined separately. Though not formally a political, military, or economic member of the Sino-Soviet Bloc, Yugoslavia is nevertheless a Socialist country ruled by communist dictatorship. As such, Yugoslavia is an important member of the communist orbit to which she is bound by strong and close ideological ties and common political interest. Due to her special position in international relations during the last fifteen years, Yugoslavia has been the only country in the communist world which has been receiving economic assistance from the West and from the East. Moreover, this two-sided help has enabled her, in spite of serious domestic economic difficulties, to offer economic and military assistance, on her own behalf and in her own name, to many less developed countries all over the globe. The basic motive of the Yugoslav economic offensive has been the desire to prove the political and economic advantages of an "independent socialist state" and thus to promote the ideas of socialism and neutrality among the former colonial and underdeveloped nations.⁷⁶ This does not mean that Yugoslav aims in extending foreign economic aid have been, in essence, different from those of the Soviet Union, China, or any other Socialist state. President Tito himself has pointed out that Yugoslavia must offer such help not only in her own interest but also in the interest of socialism in general, in cooperation with the Soviet Union and in the spirit of socialist internationalism.⁷⁷

On the other hand, there is no doubt that the Yugoslav foreign economic aid is given also to promote the development of her domestic economy which is now seeking new markets for its growing industrial production.⁷⁸

The two usual forms of Yugoslavia's aid to underdeveloped countries are credit agreements and treaties providing for scientific and technical cooperation. It is estimated that Yugoslavia has extended commercial credits to, and concluded mutual cooperation agreements with, thirty less developed nations. Approximately 1,300 Yugoslav scientists, technicians, and qualified workers are employed in various underdeveloped areas of the world, while 500 students from those states study at Yugoslav universities and scientific institutions.⁷⁹ The most active Yugoslav corporation in the field of scientific and technical assistance to foreign countries is I.N.G.R.A. in Zagreb, which maintains twenty-one branch offices abroad and participates in 219 technical projects.⁸⁰

⁷⁶ Josip Broz Tito, in *THE ATTITUDE OF THE LEAGUE OF COMMUNISTS OF YUGOSLAVIA TO CURRENT INTERNATIONAL PROBLEMS*, *op. cit. supra*, note 34, at 26-27; also, JOŽE SMOLE, *YUGOSLAV VIEWS ON COEXISTENCE* 30-56 (1961).

⁷⁷ Tito, *supra* note 76, at 40 and 84-85; *SÜDOSTEUROPA* 6-8 and 12.

⁷⁸ Granfil, *Yugoslav Export of Capital Goods*, 15 [*Yugoslav*] *REV. INT'L AFFAIRS* 16-18 (April 1964).

⁷⁹ *SÜDOSTEUROPE* 20-28.

⁸⁰ *Id.* at 24; see also *Večernji List*, Zagreb, Dec. 30, 1963, p. 3, cols. 1-2.

The total amount of the Yugoslav credits to less developed countries is given variously as 300 or 330 million dollars.⁸¹ These credits have been extended on a steadily increased yearly basis since 1957, and have attained seventy million dollars per annum in 1963.⁸² The interest rate is usually three per cent, and the repayment period is set between twelve to twenty-five years. Considerable part of all the credits has been given for the purchase of the Yugoslav industrial equipment and other products. It is believed that approximately twenty-five per cent of all the credits have been utilized so far.

The table below shows that Yugoslavia has extended commercial credits to less developed countries around the world in the total amount of 357.6 million dollars. However, in this sum are also included the credits given to Brazil (65 million dollars) and to Argentina (45 million dollars), for ships to be built by the Yugoslav shipyards.⁸³

TABLE 2⁸⁴
YUGOSLAVIA'S ECONOMIC CREDITS TO LESS DEVELOPED COUNTRIES, 1957-1964
(Million U.S. dollars)

Area and Country	Total Economic Credits and Grants	
		Total
<i>Asia</i>		89
India.....	40	
Indonesia.....	10	
Cambodia.....	6	
Ceylon.....	15	
Pakistan.....	10	
Afghanistan.....	8	
<i>Arab Countries and Middle East</i>		47
Yemen.....	2	
Egypt.....	10	
Sudan.....	15	
Tunisia.....	5	
Morocco.....	5	
Algeria.....	10	
<i>Africa</i>		47
Ethiopia.....	10	
Ghana.....	10	
Guinea.....	7	
Mali.....	10	
Tanganyika.....	10	
<i>Latin America</i>		174.6
Argentina.....	45	
Brazil.....	122	
Chile.....	0.6	
Bolivia.....	5	
Uruguay.....	2	
	<u>Grand Total</u>	<u>357.6</u>

⁸¹ Granfil, *supra* note 78, at 17; THE ATTITUDE OF THE LEAGUE OF COMMUNISTS OF YUGOSLAVIA TO CURRENT INTERNATIONAL PROBLEMS, *op. cit. supra* note 34, at 41.

⁸² GEORGE W. HOFFMANN & FRED WARNER NEAL, YUGOSLAVIA AND THE NEW COMMUNISM 356 (1962); Privredni Pregled, Belgrad, Sept. 13, 1959; THE ATTITUDE OF THE LEAGUE OF COMMUNISTS, *op. cit. supra* note 34, at 41.

⁸³ SÜDOSTEUROPA 65-67. It is questionable whether this type of credit could be called economic aid to underdeveloped countries.

⁸⁴ This table is compiled on the basis of information given in SÜDOSTEUROPA 28-73; 6 JUGOSLOVENSKI

The participation of Yugoslavia in the communist economic offensive in the underdeveloped areas of the world is considerable. Computed on per capita basis, Yugoslavia's contributions are only twenty per cent lower than those of the Soviet Union, equal to the amount offered by other European socialist countries—some of which are much more industrialized than Yugoslavia—and fifteen times larger than the foreign aid given by Communist China.⁸⁵ It is understandable, therefore, that from the political point of view, this "independent foreign aid" offered by Yugoslavia has greatly enhanced her prestige among many underdeveloped nations which commence to believe that the so-called neutral and non-committed position in the world affairs is not so bad after all.

VI

EFFECTS AND CONSEQUENCES

Although the total figure of foreign aid of all Socialist countries combined, during the last decade, was less than ten per cent of the foreign aid extended by the United States alone during the same period,⁸⁶ the economic offensive of the communist world in less developed areas and its effects on the global international situation should not be underestimated.

The first thing to be recognized is the adaptability of the Soviet and other communist leaders to the present political and economic realities. Instead of the rigid dogmatism practiced by Stalin, new and more flexible methods for the promotion of communist goals have been adopted. The second stage in the development of the former colonial countries—the socialist revolution—is, in the opinion of the present communist leaders, to be achieved by a slow economic and political penetration rather than by the exclusive use of direct revolutionary means. This new international economic policy, practiced under the slogan of active and peaceful coexistence, by no means alters the ultimate goal of Marxism-Leninism which is the victory of socialism under proletarian dictatorship.⁸⁷ However, because of its subtlety and

PREGLED 11-12 (1963); Miodrag Sukijaković, *Pravne karakteristike dvostranih trgovinskih ugovora FR Jugoslavije* [Legal Characteristics of the Bilateral Trade Agreements of the FPR Yugoslavia] 122 ff. (Belgrad, 1959). It should be noted that not all of the agreements concerning foreign economic or military aid have been reported. Some of them have remained undisclosed for reasons of state security.

⁸⁵ The ratio of the population to the foreign economic assistance extended by the countries of the communist orbit to underdeveloped nations is as follows:

	Population in million	Foreign aid in million dollars
U.S.S.R.	220	4.400
European Satellites	95	1.200
Yugoslavia	18	300
People's China	700	825

⁸⁶ For the foreign economic and military assistance of the United States in the period 1953-1963, see Statistical Abstract of the United States, 1963, pp. 858 ff.

⁸⁷ Swearingen, *Technique of Communist Aggression and the Moscow-Peking Axis*, in NATIONALISM AND PROGRESS IN FREE ASIA 307-28 (1956); see also the Program of the CPSU, accepted at 22d Congress

finesse it is often more dangerous for the free world than the overt revolutionary actions. Briefly, this new economic trend makes the fight against communist expansion much more difficult and sometimes less effective.

The question arises, how successful have been, so far, the new methods of the communist international offensive?

For searching for an answer to this question, the general disposition of the individual leaders in the former colonial countries should be considered to be of prime importance. In the underdeveloped countries where the political leadership is already inclined to regard Lenin's socialism with sympathy, as in Ghana, Guinea, Algeria, and Zanzibar, the communist economic offensive is undoubtedly very effective. It helps the leaders of these states to demonstrate to their peoples that the future of their nations lies in close cooperation with the Communist Bloc and in the eventual introduction of socialism under a single party system.

In the countries with genuine democratic traditions, such as India, Tunisia, Argentina, or Brazil, the economic aid of the Communist Bloc, though a challenge to the free world, is not a force which would, at this time, seriously endanger the ties which these countries have with the West, or imperil their democratic traditions. The Arab countries of the Middle East, notably Egypt, Syria, and Iraq, are in a special situation. There is little doubt that in spite of the substantial economic and military assistance which they have received from the communist camp, a deep mistrust exists between the leaders of international communism and the representatives of Arab nationalism which is the controlling ideology of that area.⁸⁸

Generally speaking, the economic offensive of the Communist Bloc in the underdeveloped areas of the world, and especially among the newly created former colonial states, is favored by the following factors:

- (a) Many peoples of the underdeveloped countries and former colonial possessions have never lived under a genuine democratic system and for this reason are unable to grasp the true meaning and the brutal reality of the proletarian dictatorship.⁸⁹
- (b) Some of the leaders in the underdeveloped states are impressed by the rapid industrialization of the Soviet Union and its achievements under socialist order. The fact that only sixty years ago the geographical area of the Soviet Union was one of the underdeveloped parts of the world, incites them to emulate the Soviet example by using socialist doctrine as a generating force also in their own countries.⁹⁰
- (c) Many leaders of these countries maintain a certain degree of grudge against their former colonial rulers and the Western world in general. In this respect, the Soviets, who claim that they have never been a colonial power,

in October 1961, N.Y. Times, Aug. 1, 1961, pp. C 14-15, cols. 8 and 1-4; see also Tito, *supra* note 76, at 17-19.

⁸⁸ See Khrushchev speech of January 27, 1959, in RUBINSTEIN 400-01.

⁸⁹ See WLADYSŁAW W. KULSKI, *PEACEFUL CO-EXISTENCE* 240-51 (1959).

⁹⁰ HARRY SCHWARTZ, *THE SOVIET UNION—COMMUNIST ECONOMIC POWER* 60-62 (1963).

have certain advantages, not mentioning the Chinese who, in addition to their former semi-colonial status, exploit very adroitly their brotherhood in color and race.⁹¹

The foreign economic drive of the Communist Bloc represents a challenge to the free world and to its policy to secure freedom and peaceful progress in the underdeveloped areas. This challenge must be met with determination and appropriate counter moves. It cannot, of course, be expected that the American, or any other type of Western political and economic system, can be propagated and imposed through media of economic aid or military assistance. Nevertheless, it is mandatory that the policy of the free world in those areas be directed towards one basic goal. This goal is the preservation and implementation of fundamental human rights, among which is the right of every man to express freely his mind and conviction and to elect without restraint the political and economic system under which he wants to live.

⁹¹ Cooley, *supra* note 3; Fitzgerald, *supra* note 64. For a good evaluation of the Sino-Soviet competition and rivalry in the underdeveloped nations, see Dienerstein, *Rivalry in Underdeveloped Areas*, 13 PROBLEMS OF COMMUNISM 64-72 (1964).